

News Release

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GOVERNMENT INTRODUCES LEGISLATION TO ALLOW DEMUTUALIZATION OF LARGE CANADIAN LIFE INSURANCE COMPANIES

Secretary of State Jim Peterson (International Financial Institutions) today tabled legislation outlining the framework under which large federally regulated mutual life insurance companies could demutualize if their eligible policyholders approve. Demutualization is a process by which mutual companies convert to public stock companies.

The legislation introduced today stems from a process that began in 1992 when the *Insurance Companies Act* was amended to allow mutual life companies to demutualize, with the terms and conditions set out in regulations. Regulations passed in 1993 applied only to small companies (assets in Canada of less than \$7.5 billion). The government announced in June 1996 that it intended to extend the demutualization regime to large companies, subject to a thorough consultative process with all stakeholders.

The government's overriding objective in developing the proposed demutualization regime, which is largely set out in regulations, was to ensure that policyholders are protected and receive fair treatment. Fundamental to this is that eligible policyholders must approve of any proposal to demutualize. In addition, the regime contains a number of other measures to protect policyholders' interests, including the requirement for independent expert opinions on the security of policy benefits for policyholders and on the fairness of the allocation of the company's value among eligible policyholders.

"In developing the proposed demutualization regime, we had the benefit of examining the approaches taken in other major countries, including the United States, the United Kingdom and Australia," said Secretary Peterson. "Based on the experiences in those countries and our extensive consultations, we believe that we have developed a comprehensive and strong regime in terms of policyholder protection."

Draft regulations that would govern the demutualization process for large insurance firms were included in the August 1998 consultation paper. Further modifications of the draft regulations have since been adopted, based on the extensive consultation process undertaken by the government.

Government
of CanadaGouvernement
du Canada

Canada

"We consulted a wide range of stakeholders including policyholders, the industry and the public on the proposed regime, and made changes to the regulations where warranted," said Mr. Peterson.

Once the legislative and regulatory framework is in place and companies have prepared proposals for conversion, it will be up to their eligible policyholders to decide if demutualization is in their best interest.

Since last December, Canada's four large mutual life companies have announced their intention to develop demutualization plans. These companies are: The Mutual Life Assurance Company of Canada, The Manufacturers Life Insurance Company, Sun Life Assurance Company of Canada and The Canada Life Assurance Company.

These companies expressed an interest in demutualizing to improve the efficiency and competitiveness of their companies through increased flexibility to access capital, greater market scrutiny, and a better understood corporate structure. Upon demutualization, it is expected that some two million Canadian policyholders stand to receive benefits, largely in the form of shares in the insurer, of about \$10 billion.

The attached backgrounders provide an overview of the demutualization process, the regime's measures to ensure the protection and fair treatment of policyholders, and the amendments made to the demutualization regulations since the release of the consultation paper. The government intends to release soon draft legislation dealing with the income tax consequences of demutualization.

Copies of the legislation, draft regulations and explanatory notes are available from the Department of Finance Distribution Centre (613 943-8665) at a cost of \$10.00.

For further information:

Patrick Dion
Special Assistant to the
Secretary of State
(International Financial Institutions)
(613) 992-6018

www.fin.gc.ca

Jean-Michel Catta
Public Affairs and Operations Division
(613) 992-1574

Overview of the Demutualization Process

In order to demutualize, the proposed regime would require a company to follow the steps outlined below. The entire conversion process would be overseen by the Office of the Superintendent of Financial Institutions (OSFI).

1. Board Authorization

First, the company's board of directors must authorize management to develop a conversion proposal (Canada's four large mutual life companies have already taken this step).

2. Preparation of the Documentation

The second step is to develop the conversion proposal. This is a comprehensive package that must first be approved by the company's board of directors, then sent to OSFI. Among other things, the proposal contains the estimated market value of the company and a description of how the value would be allocated to eligible policyholders (for example, in the form of shares, cash or policy enhancements).

Under the proposed regime, the entire value of the company must be allocated to eligible policyholders – that is, policyholders entitled to vote at annual meetings of the company. These policyholders would receive benefits upon demutualization in exchange for their current ownership rights and interests in the company.

A number of expert opinions are required in the conversion proposal, such as opinions on whether the methods used to estimate the company value are appropriate, whether the distribution among policyholders is fair and equitable, and on the security of policyholders' policy benefits.

3. Review of Documentation and Authorization by OSFI

In addition to the conversion proposal, the company must submit to OSFI for review all information destined for eligible policyholders.

Once OSFI authorizes its release, the company would send an information package to policyholders. This package must, among other things, include: the conversion proposal and a summary of the expert opinions; a description of the advantages and disadvantages of demutualization to the company and its policyholders; a description of the alternatives to demutualization considered and the reasons why the directors of the company believe demutualization is in the best interests of the company and its policyholders; and a discussion of the tax treatment of demutualization benefits. OSFI would also review and approve the notice of meeting and proxy form that would be sent to eligible policyholders with the information package.

The notice of meeting must be sent between 45 and 75 days before the special meeting to consider demutualization, to allow policyholders sufficient time to review the information package. If the Superintendent is of the view that policyholders require additional information prior to the vote on demutualization, he may direct the company to

undertake such measures as sending additional information to policyholders or holding information sessions.

4. Special Meeting to Consider Demutualization

A special meeting must be held at which eligible policyholders vote on the conversion proposal. The proposal must receive the support of at least two-thirds of eligible policyholders who cast votes, either in person or by proxy.

5. Application for Ministerial Approval

If the conversion proposal is approved by eligible policyholders, an application for demutualization must be forwarded within three months to the Minister of Finance for his approval.

6. Allocation of Benefits

Upon demutualization, contractual obligations between the company and its customers would not be changed.

What would change are the policyholders' ownership rights in the company. In exchange for these rights, the company would distribute benefits to policyholders, as described in the conversion proposal. Nevertheless, policyholders would still have the right to elect at least one-third of the board of directors of the converted company.

Demutualization benefits would generally take the form of shares which could be kept or sold for cash. Each share would entitle the shareholder to one vote (shareholders elect up to two-thirds of the board of directors). Benefits could also be in the form of cash, policy enhancements or premium reductions. When benefits other than shares are distributed, an independent actuary or a valuation expert must provide an opinion that these benefits are appropriate substitutes for shares.

7. Post-Demutualization

Converted companies will face a public market environment, and should be allowed time to adjust to their new corporate structure before being approached by possible acquirers or merger partners.

Therefore, after demutualizing, companies must remain widely held (i.e. no one person can own more than 10 per cent of any class of shares of the company). This restriction will be reviewed two years after the demutualization regulations come into force. In addition, the government will not approve merger proposals between large demutualized companies during this adjustment period.

A shareholder structure will allow converted companies more flexibility to raise capital to offer innovative new products to meet their customers' evolving needs and invest in new technologies. Increased access to capital will also enhance companies' ability to make acquisitions, which will enable converted companies to take advantage of growth opportunities and compete for a market share in a rapidly changing marketplace.

Measures to Ensure Protection and Fair Treatment of Policyholders

Ensuring that policyholders are fully protected and receive fair and equitable treatment was the government's primary objective in the development of the proposed demutualization regime. Safeguards have been included in every step of the process to protect the interests of policyholders. The following are the main policyholder protection measures included in the proposed regime.

- An independent expert opinion is required on the security of benefits for policyholders and the future financial strength and vitality of the company (post-demutualization).
- Converted companies must maintain adequate funds to support current and future participating insurance business and an independent expert opinion must be provided in this regard.
- The policy for determining dividends payable to policyholders for the next five years must be disclosed.
- The value of the company, including excess funds in the participating accounts, may be allocated only to eligible policyholders.
- The use of either subscription rights or a mutual holding company structure will not be permitted.
- Management and employees are prohibited from benefiting from demutualization, except for benefits to which they are entitled as eligible policyholders. This includes a one-year prohibition against the issuance of shares or stock options by the company to its directors, officers or employees.
- An independent expert opinion is required on the fairness of the allocation of company value among eligible policyholders.
- An estimate of company value is required from a valuation expert.
- At least two-thirds of the eligible policyholders who cast votes, either in person or by proxy at a special meeting on demutualization, must support the demutualization plan for it to proceed.
- In the information sent to eligible policyholders, companies must describe the conversion proposal in sufficient detail to allow policyholders to make an informed decision on demutualization.
- Management is required to explain to policyholders why it considers demutualization to be in the best interests of the company and its policyholders, and to disclose the advantages and disadvantages of demutualization.
- The Office of the Superintendent of Financial Institutions (OSFI) must review the conversion plan, opinions and information to be sent to eligible policyholders and

provide authorization for the release of this information. In doing so, OSFI may engage the services of outside experts.


- Companies must provide a relatively longer notice of meeting period, of no less than 45 days and no more than 75 days before the special meeting, to permit eligible policyholders to assess the merits of the conversion plan.
- Converting companies must describe in the information sent to policyholders the measures they have taken or intend to take to provide policyholders with information on the proposed conversion and with an opportunity to raise questions or concerns about the proposal. These measures may include toll-free lines, Internet sites, advertisements in widely circulated publications, information sessions, etc.
- OSFI will oversee steps taken by the companies to communicate with eligible policyholders.
- OSFI may order companies to address the concerns of policyholders through measures such as holding information sessions or sending additional information to policyholders if it is of the view that policyholders should be provided with additional information.
- Converting companies must outline measures that will be taken in the first two years following the conversion to ensure that policyholders receiving shares will be able to sell their shares on a public market. They must also obtain an opinion on the effectiveness of these measures from a financial market expert.
- Proxy forms issued by the converting companies will provide a means by which policyholders may indicate how they would like their votes recorded.
- Policyholders or other interested persons may solicit proxies in accordance with the terms and conditions currently set out in the *Insurance Companies Act*.
- Converting companies must outline in the information sent to policyholders measures they have taken or intend to take to encourage policyholders to vote.

**Amendments to the Draft Demutualization
Regulations in the Consultation Paper:
Demutualization Regime for Canadian Life Insurance Companies
August 1998**

As a result of extensive consultations with a wide range of stakeholders, some modifications were made to the draft regulations included in the August 1998 consultation paper on demutualization. Most of the changes were of a technical nature. The more substantive amendments involved:

- **measures to inform policyholders** – requiring that companies describe in the information sent to policyholders the measures they have taken or plan to take to provide policyholders with information about the proposed conversion and with an opportunity to raise questions or concerns about the proposal [paragraph 7(1)(s)];
- **measures to encourage voting** – requiring that companies indicate in the information sent to policyholders the measures they have taken or plan to take to encourage voting [paragraph 7(1)(t)]; and
- **amendments to the conversion proposal** – allowing companies to amend their conversion proposals prior to the policyholder vote as long as the Superintendent approves of measures taken by the company to inform policyholders of the changes [subsection 10(1)].

The revised draft regulations are attached.



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UNTIL INTRODUCED IN PARLIAMENT

C-

First Session, Thirty-sixth Parliament,
46-47 Elizabeth II, 1997-98

SECRET

JUSQU'À DÉPÔT AU PARLEMENT

C-

Première session, trente-sixième législature,
46-47 Elizabeth II, 1997-98

THE HOUSE OF COMMONS OF CANADA

CHAMBRE DES COMMUNES DU CANADA

BILL C-

PROJET DE LOI C-

An Act to amend the Insurance Companies Act

Loi modifiant la Loi sur les sociétés d'assurances

First reading, , 1998

Première lecture le 1998

THE MINISTER OF FINANCE

LE MINISTRE DES FINANCES

THE HOUSE OF COMMONS OF CANADA

CHAMBRE DES COMMUNES DU CANADA

BILL C-

PROJET DE LOI C-

An Act to amend the Insurance Companies
Act

Loi modifiant la Loi sur les sociétés d'assu-
rances

1991, cc. 47,
48; 1992, c. 51;
1993, cc. 28,
34, 44; 1994,
cc. 24, 26, 47;
1996, c. 6;
1997, c. 15

Her Majesty, by and with the advice and
consent of the Senate and House of Commons
of Canada, enacts as follows:

Sa Majesté, sur l'avis et avec le consente-
ment du Sénat et de la Chambre des commu-
nes du Canada, édicte :

1991, ch. 47,
48; 1992, ch.
51; 1993, ch.
28, 34, 44;
1994, ch. 24,
26, 47; 1996,
ch. 6; 1997, ch.
15

1. Paragraph 142(1)(d) of the *Insurance
Companies Act* is amended by striking out
the word "and" at the end of subparagraph
(ii), by adding the word "and" at the end of
subparagraph (iii) and by adding the fol-
lowing after subparagraph (iii):

(iv) the right to receive benefits in re- 10
spect of the conversion of a mutual
company into a company with common
shares,

1997, c. 15, s.
187(1)

2. (1) Paragraph 143(1)(b) of the Act is
replaced by the following:

(b) each policyholder who is determined
under subsection (1.4) or (1.6) to be a poli-
cyholder entitled to notice under this para-
graph, if no business referred to in any of
subparagraphs (c)(i) to (iii) is to be dealt 20
with at the meeting;

(2) Paragraph 143(1)(c) of the Act is
amended by adding the word "or" at the
end of subparagraph (ii), by striking out the
word "or" at the end of subparagraph (iii) 25
and by repealing subparagraph (iv).

1997, c. 15, s.
192(1)

3. Subsection 149(1.2) of the Act is re-
placed by the following:

1. L'alinéa 142(1)d) de la *Loi sur les so- 5
ciétés d'assurances* est modifié par adjonc-
tion, après le sous-alinéa (iii), de ce qui suit :

(iv) en ce qui touche le droit de recevoir
des avantages à l'égard de la transfor-
mation d'une société mutuelle en socié-
té avec actions ordinaires. 10

2. (1) L'alinéa 143(1)b) de la même loi est
15 remplacé par ce qui suit :

b) sauf cas d'application de l'un ou l'autre
des sous-alinéas c)(i) à (iii), à chaque
souscripteur qui, aux termes des para- 15
graphes (1.4) ou (1.6), a le droit de le rece-
voir;

(2) Le sous-alinéa 143(1)c)(iv) de la même
loi est abrogé.

3. Le paragraphe 149(1.2) de la même loi 20
est remplacé par ce qui suit :

1997, ch. 15,
par. 187(1)

1997, ch. 15,
par. 192(1)

SUMMARY

This enactment amends the *Insurance Companies Act* to facilitate the establishment of a demutualization regime for mutual insurance companies proposing to convert to companies with common shares. The amendments set out the framework governing an application by a mutual insurance company to the Minister of Finance for approval of a conversion proposal and for the issuance of letters patent of conversion, including requirements governing the holding of a special meeting of policyholders.

This enactment also amends provisions of the *Insurance Companies Act* concerning the preparation of policyholder lists and reinsurance transactions entered into by foreign companies in the ordinary course of business.

EXPLANATORY NOTES

Clause 1: The relevant portion of subsection 142(1) reads as follows:

142. (1) For the purpose of determining

...

(d) who is a policyholder for any other purpose except

...

the directors may fix in advance a date as the record date for the determination of shareholders or policyholders, but the record date so fixed shall not precede by more than fifty days the particular action to be taken.

Clause 2: (1) and (2) The relevant portion of subsection 143(1) reads as follows:

143. (1) Notice of the time and place of a meeting of shareholders or policyholders of a company shall be sent not less than twenty-one days or more than fifty days before the meeting to

...

(b) each policyholder who is determined under subsection (1.4) or (1.6) to be a policyholder entitled to notice under this paragraph, if no business referred to in any of subparagraphs (c)(i) to (iv) is to be dealt with at the meeting;

(c) each policyholder entitled to vote at the meeting, if any of the following business is to be dealt with at the meeting:

...

(iv) approving a proposal to convert the company from a mutual company into a company with common shares;

Clause 3: Subsection 149(1.2) reads as follows:

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Le texte modifie la *Loi sur les sociétés d'assurances* pour mettre en place un régime de démutualisation pour les sociétés mutuelles qui veulent se transformer en sociétés avec actions ordinaires. Il établit un cadre destiné à régir la présentation au ministre des Finances des demandes visant à faire approuver une proposition de transformation et à obtenir la délivrance de lettres patentes de transformation; il fixe aussi les conditions applicables à la tenue d'une assemblée extraordinaire des souscripteurs admissibles.

Le texte prévoit enfin des modifications en ce qui a trait à l'établissement des listes des souscripteurs et aux opérations de réassurance effectuées par les sociétés étrangères dans le cours normal de leurs activités.

NOTES EXPLICATIVES

Article 1. — Texte des passages introductifs du paragraphe 142(1):

142. (1) Le conseil d'administration peut fixer d'avance, dans les cinquante jours précédant l'opération en cause, la date ultime d'inscription, ci-après appelée « date de référence », pour déterminer :

...

d) les souscripteurs à toute autre fin, sauf :

Article 2, (1) et (2). — Texte des passages introductifs et visés du paragraphe 143(1):

143. (1) Avis des date, heure et lieu de l'assemblée doit être envoyé, entre les cinquantième et vingt et unième jours qui la précèdent :

...

b) sauf cas d'application de l'un ou l'autre des sous-alinéas c)(i) à (iv), à chaque souscripteur qui, aux termes des paragraphes (1.4) ou (1.6), a le droit de le recevoir;

c) à chaque souscripteur habile à y voter, dans le cas où doit y être traitée l'une des questions suivantes :

...

(iv) approuver une proposition visant à convertir la société mutuelle en société avec actions ordinaires;

Article 3. — Texte du paragraphe 149(1.2):

Time to
prepare policy-
holder list

(1.2) If a record date is fixed under subsection 142(2.1), the list referred to in paragraph (1)(b) shall be prepared not later than the day on which the meeting is held. If no record date is fixed under that subsection, the list shall be prepared on the day on which the meeting is held.

4. The Act is amended by adding the following after the heading "Conversion into Company with Common Shares" before section 237:

Definitions

236.1 The definitions in this section apply in sections 237 and 237.1.

"conversion
proposal"
« proposition
de
transformation »

"conversion proposal" means a proposal to convert a mutual company into a company with common shares.

"converting
company"
« société en
transformation »

"converting company" has the meaning given to that expression by the regulations.

"eligible
policyholder"
« souscripteur
admissible »
"letters patent
of conversion"
« lettres
patentes de
transformation »

"eligible policyholder" has the meaning given to that expression by the regulations.

"letters patent of conversion" means letters patent issued under paragraph 237(1)(b).

(1.2) Si une date de référence a été fixée conformément au paragraphe 142(2.1), la liste des souscripteurs est dressée au plus tard le jour de l'assemblée. Si aucune date de référence n'a été fixée, la liste est dressée le jour de l'assemblée.

Délai —
souscripteurs

4. La même loi est modifiée par adjonction, après l'intertitre « Transformation en société avec actions ordinaires » précédant l'article 237, de ce qui suit :

236.1 Les définitions qui suivent s'appliquent aux articles 237 et 237.1.

« lettres patentes de transformation » Lettres patentes délivrées en vertu de l'alinéa 237(1)b).

« proposition de transformation » Proposition visant à transformer une société mutuelle en société avec actions ordinaires.

« société en transformation » S'entend au sens des règlements.

« souscripteur admissible » S'entend au sens des règlements.

Définitions

« lettres
patentes de
transformation »
"letters patent
of conversion"
« proposition
de
transformation »
"conversion
proposal"
« société en
transformation »
"converting
company"
« souscripteur
admissible »
"eligible
policyholder"

5. (1) Subsection 237(1) of the Act is replaced by the following:

237. (1) On the application of a mutual company made in accordance with the regulations, the Minister may, on the recommendation of the Superintendent,

(a) approve a conversion proposal; and

(b) issue letters patent of conversion to effect the conversion proposal.

Conversion
into company
with common
shares

Special
meeting of
eligible policy-
holders

(1.1) Before an application is made under subsection (1), the directors of the company must call a special meeting of eligible policyholders to obtain

(a) approval of the conversion proposal;

(b) confirmation of any by-law or of any amendment to or repeal of a by-law that is

5. (1) Le paragraphe 237(1) de la même loi est remplacé par ce qui suit :

237. (1) Sur demande d'une société mutuelle faite conformément aux règlements, le ministre peut, sur recommandation du surintendant :

a) approuver une proposition de transformation;

b) délivrer des lettres patentes de transformation mettant en œuvre la proposition de transformation.

(1.1) Avant de faire la demande visée au paragraphe (1), le conseil d'administration de la société convoque une assemblée extraordinaire des souscripteurs admissibles pour obtenir :

a) l'approbation de la proposition de transformation;

Transformation
en société avec
actions
ordinaires

Assemblée
extraordinaire

(1.2) If a record date is fixed under subsection 142(2.1), the list referred to in paragraph (1)(b) shall be prepared not later than the day on which the meeting is held. If no record date is fixed under that subsection, the list shall be prepared

(a) at the close of business on the day before the day on which the notice of the meeting is given; or

(b) if no notice is given, on the day on which the meeting is held.

Clause 4: New.

(1.2) Si une date de référence a été fixée conformément au paragraphe 142(2.1), la liste des souscripteurs est dressée au plus tard le jour de l'assemblée. Si aucune date de référence n'a été fixée, la liste est dressée à l'heure de fermeture des bureaux, la veille du jour où l'avis de l'assemblée est donné, ou, si aucun avis n'est donné, le jour de l'assemblée.

Article 4. — Nouveau.

Clause 5: (1) Subsections 237(1.1) to (1.5) are new. Subsection 237(1) reads as follows:

237. (1) On the application of a mutual company made in accordance with the regulations, the Minister may approve a proposal to convert the company into a company with common shares.

Article 5, (1). — Les paragraphes 237(1.1) à (1.5) sont nouveaux. Texte du paragraphe 237(1):

237. (1) Sur demande d'une société mutuelle faite conformément aux règlements, le ministre peut approuver une proposition visant à la transformer en société avec actions ordinaires.

	necessary to implement the conversion proposal; and (c) authorization to make the application.	b) la confirmation de tout règlement administratif — ou de toute modification ou révocation d'un règlement administratif — nécessaire à la mise en œuvre de la proposition de transformation; c) l'autorisation de la demande.	5	
Notice of meeting and policyholder list	(1.2) A company shall, in respect of a special meeting, (a) send, not less than 45 days and not more than 75 days before the meeting, to each eligible policyholder a notice of the time and place of the meeting, describing the conversion proposal in sufficient detail to permit a policyholder to form a reasoned judgment about the terms of the proposal and its impact on both policyholders and the company, together with the prescribed information in respect of the conversion proposal; and (b) prepare, not less than 45 days before the meeting, a list, which may be in electronic form, of all eligible policyholders.	(1.2) La société doit, en ce qui touche l'assemblée extraordinaire : a) entre les soixante-quinzième et quarante-cinquième jours qui précèdent, envoyer à chaque souscripteur admissible un avis des date, heure et lieu de l'assemblée renfermant suffisamment de détails sur la proposition de transformation pour que le souscripteur admissible puisse porter un jugement éclairé sur les modalités de la proposition et sur ses répercussions sur les souscripteurs et la société et accompagné des renseignements réglementaires concernant la proposition; b) au moins quarante-cinq jours avant l'assemblée, dresser la liste — informatique ou autre — des souscripteurs admissibles.	5 10 15 20	Préavis de l'assemblée extraordinaire
Application of subsection 149(5)	(1.3) Subsection 149(5) applies, with any modifications that the circumstances require, in respect of the list of eligible policyholders.	(1.3) Le paragraphe 149(5) s'applique, avec les adaptations nécessaires, à la liste des souscripteurs admissibles.	20 25	Application du par. 149(5)
Entitlement to notice and right to vote	(1.4) Only eligible policyholders are entitled to notice of and to vote at a special meeting.	(1.4) Seuls les souscripteurs admissibles ont le droit de recevoir le préavis de l'assemblée extraordinaire et de voter à l'assemblée.	25	Droit de recevoir le préavis et de voter
Special resolution	(1.5) Any approval, confirmation or authorization referred to in subsection (1.1) must be given by special resolution of the eligible policyholders.	(1.5) L'approbation, la confirmation et l'autorisation visées au paragraphe (1.1) sont données par résolution extraordinaire des souscripteurs admissibles.	30	Résolution extraordinaire
	(2) Paragraphs 237(2)(a) and (b) of the Act are replaced by the following: (a) respecting the application referred to in subsection (1), including the form of the application and the information to be contained in the application, and authorizing the Superintendent to require additional information in order to make a recommendation; (a.1) respecting the conversion proposal, including the information to be contained in the conversion proposal, and authorizing the Superintendent to approve the	(2) Les alinéas 237(2)a) et b) de la même loi sont remplacés par ce qui suit : a) régir la demande visée au paragraphe (1), notamment en ce qui concerne sa forme et les renseignements qu'elle doit contenir, et autoriser le surintendant à demander des renseignements supplémentaires pour faire sa recommandation; a.1) régir la proposition de transformation, notamment en ce qui concerne les renseignements qu'elle doit contenir, et autoriser le surintendant à approuver les mesures que la société en transformation	35 40 45	

(2) and (3) Paragraphs 237(2)(a.1), (a.2) and (c.1) to (c.4) are new. The relevant portion of subsection 237(2) reads as follows:

(2) The Governor in Council may make regulations

(a) respecting the form and content of an application referred to in subsection (1);

(b) concerning the fair and equitable treatment of policyholders under a proposal referred to in subsection (1);

(2) *et* (3). — Les alinéas 237(2)a.1, a.2 et c.1 à c.4 sont nouveaux. Texte des passages introductif et visés du paragraphe 237(2) :

(2) Le gouverneur en conseil peut, par règlement :

a) déterminer la forme et le contenu de la demande visée au paragraphe (1);

b) régir le traitement juste et équitable des souscripteurs aux termes de la proposition visée au paragraphe (1);

measures to be taken by the converting company in respect of any proposed amendment to the conversion proposal;

(a.2) respecting the value of a converting company for the purposes of the regulations and authorizing the Superintendent to specify a day at which the value shall be estimated by the converting company;

(b) concerning the fair and equitable treatment of policyholders under a conversion proposal;

(3) Subsection 237(2) of the Act is amended by striking out the word "and" at the end of paragraph (c) and by adding the following after paragraph (c):

(c.1) respecting the authorization by the Superintendent of the sending of a notice of a special meeting referred to in subsection (1.1), including

(i) prescribing the information to be submitted by the converting company in support of an authorization,

(ii) authorizing the Superintendent to consider information in addition to that referred to in subparagraph (i), and

(iii) authorizing the Superintendent to require that information, in addition to the prescribed information referred to in paragraph (1.2)(a), be sent with a notice;

(c.2) authorizing the Superintendent to

(i) require the converting company to hold one or more information sessions for eligible policyholders and to take other measures to assist eligible policyholders in forming a reasoned judgment on the conversion proposal, and

(ii) set the rules under which the information sessions must be held;

(c.3) respecting restrictions on any fee, compensation or other consideration that may be paid, in respect of the conversion of a mutual company into a company with common shares, to any director, officer or employee of the company or to any entity

adoptera à l'égard de toute modification de la proposition;

a.2) régir la valeur d'une société en transformation pour l'application des règlements et autoriser le surintendant à fixer la date à laquelle la société fait une estimation de sa valeur;

b) régir le traitement juste et équitable des souscripteurs aux termes d'une proposition de transformation;

(3) Le paragraphe 237(2) de la même loi est modifié par adjonction, après l'alinéa c), de ce qui suit :

c.1) régir l'autorisation par le surintendant de l'envoi du préavis de l'assemblée extraordinaire, notamment :

(i) préciser les renseignements que doit transmettre la société en transformation à l'appui de sa demande d'autorisation,

(ii) autoriser le surintendant à examiner des renseignements supplémentaires,

(iii) autoriser le surintendant à exiger que, outre les renseignements réglementaires prévus à l'alinéa (1.2)a), des renseignements supplémentaires soient fournis avec le préavis d'assemblée extraordinaire;

c.2) autoriser le surintendant à :

(i) exiger de la société en transformation qu'elle tienne une ou plusieurs séances d'information à l'intention des souscripteurs admissibles et qu'elle prenne d'autres mesures pour leur permettre de se former un jugement éclairé sur la proposition,

(ii) fixer les modalités selon lesquelles les séances d'information doivent être tenues;

c.3) régir les restrictions applicables au versement d'honoraires, d'une rémunération ou d'une autre contrepartie, à l'égard de la transformation d'une société mutuelle en société avec actions ordinaires, aux administrateurs, dirigeants ou em-

with which a director, officer or employee of the company is associated;

(c.4) prohibiting, during the period set out in the regulations, the issuance or provision of shares, share options or rights to acquire shares, of a company that has been converted from a mutual company into a company with common shares to

(i) any director, officer or employee of the company, or

(ii) any person who was a director, officer or employee of the company during the year preceding the effective date of conversion of the company; and

ployés de la société ou à toute entité avec laquelle un administrateur, un dirigeant ou un employé de la société est lié;

c.4) interdire, au cours de la période fixée par les règlements, l'émission ou l'octroi d'actions d'une société mutuelle qui a été transformée en société avec actions ordinaires, d'options de souscription à des actions de celle-ci ou de droits d'acquies des actions de celle-ci aux personnes suivantes :

(i) un administrateur, dirigeant ou employé de la société,

(ii) toute personne qui était administrateur, dirigeant ou employé de la société au cours de l'année précédant la date de transformation de celle-ci;

1997, c. 15, s. 215

(4) Subsection 237(3) of the Act is replaced by the following:

(3) A regulation made under subsection (2) may provide that the Superintendent may, on such terms and conditions as the Superintendent considers appropriate, exempt a company from prescribed requirements of that regulation.

Exemption by Superintendent

1997, c. 15, s. 216

6. Section 237.1 of the Act is replaced by the following:

237.1 (1) Letters patent of conversion become effective on the day stated in the letters patent of conversion, and on that day

Effect of letters patent of conversion

(a) the company ceases to be a mutual company; and

(b) the policyholders of the company cease to have any rights with respect to or any interest in the company as a mutual company.

Consideration for shares

(2) For the purposes of subsection 69(1) and section 70, shares issued by a company under a conversion proposal are deemed to be fully paid for in money and the amount of consideration received by the company for those shares is deemed to be equal to the book value of the company immediately after the effective date of its conversion, determined in accordance with the accounting principles referred to in subsection 331(4) and calculated without taking into account

(4) Le paragraphe 237(3) de la même loi est remplacé par ce qui suit :

(3) Les règlements pris en vertu du paragraphe (2) peuvent autoriser le surintendant à exempter une société, aux conditions qu'il estime indiquées, des exigences de tout ou partie de ceux-ci.

1997, ch. 15, art. 215

Exemption par le surintendant

6. L'article 237.1 de la même loi est remplacé par ce qui suit :

237.1 (1) Les lettres patentes de transformation prennent effet à la date qui y est indiquée; à cette date, la société cesse d'être une société mutuelle et les souscripteurs cessent d'avoir des droits sur la société, ou des droits dans la société, en tant que société mutuelle.

1997, ch. 15, art. 216

Effets des lettres patentes de transformation

(2) Pour l'application du paragraphe 69(1) et de l'article 70, les actions émises par la société conformément à la proposition de transformation sont réputées avoir été totalement libérées en argent et l'apport reçu en contrepartie des actions est réputé correspondre à la valeur comptable de la société après la date de transformation, établie selon les principes comptables visés au paragraphe 331(4) et calculée compte non tenu des mon-

Contrepartie des actions

(4) Subsection 237(3) reads as follows:

(3) A regulation made under subsection (2) may provide that the Superintendent may, by order, on such terms and conditions as the Superintendent considers appropriate, exempt a company from prescribed requirements of that regulation.

Clause 6: Section 237.1 reads as follows:

237.1 Letters patent issued to effect a proposal to convert a company from a mutual company into a company with common shares become effective on the day stated in the letters patent, and on that day

(a) the company ceases to be a mutual company; and

(b) the policyholders of the company cease to have any rights with respect to the company as a mutual company or any interest in the company as a mutual company.

(4). — Texte du paragraphe 237(3) :

(3) Les règlements pris en application du paragraphe (2) peuvent autoriser le surintendant à exempter une société, par ordonnance et aux conditions qu'il estime indiquées, des exigences de tout ou partie de ceux-ci.

Article 6. — Texte de l'article 237.1 :

237.1 Les lettres patentes délivrées à l'égard d'une proposition de transformation en société avec actions ordinaires prennent effet à la date qui y est indiquée; à cette date, la société cesse d'être une société mutuelle et les souscripteurs cessent d'avoir des droits sur la société, ou des droits dans la société, en tant que société mutuelle.

any amounts remaining at that time in the participating accounts that the company maintains under section 456.

7. Subsection 407(4) of the Act is replaced by the following:

(4) Notwithstanding subsection (1), no person, or entity controlled by a person, shall purchase or otherwise acquire any share of a company that has been converted from a mutual company into a company with common shares, or purchase or otherwise acquire any share of an entity that holds any share of such a company, if the result of the purchase or other acquisition would be that the company would not be widely held within the meaning of the regulations.

8. Section 462 of the Act is amended by striking out the word “and” at the end of paragraph (b), by adding the word “and” at the end of paragraph (c) and by adding the following after paragraph (c):

(d) transfers made in respect of the conversion of a mutual company into a company with common shares.

9. Section 587.1 of the Act is amended by adding the following after subsection (1):

(1.1) Subsection (1) does not apply in respect of reinsurance transactions entered into by a foreign company in the ordinary course of its business.

10. This Act comes into force on a day to be fixed by order of the Governor in Council.

tants qui restent dans les comptes de participation tenus aux termes de l'article 456.

7. Le paragraphe 407(4) de la même loi est remplacé par ce qui suit :

(4) Malgré le paragraphe (1), il est interdit à une personne — ou à l'entité qu'elle contrôle — d'acquérir des actions d'une société mutuelle qui a été transformée en société avec actions ordinaires ou d'acquérir des actions d'une entité qui détient toute action de cette société s'il en résulte que la société ne serait pas largement détenue, au sens des règlements.

8. L'article 462 de la même loi est modifié par adjonction, après l'alinéa c), de ce qui suit :

d) les sommes virées à l'égard de la transformation d'une société mutuelle en société avec actions ordinaires.

9. L'article 587.1 de la même loi est modifié par adjonction, après le paragraphe (1), de ce qui suit :

(1.1) Le paragraphe (1) ne s'applique pas à l'opération de réassurance effectuée par la société étrangère dans le cours normal de son activité.

10. La présente loi entre en vigueur à la date fixée par décret.

Demutualized
companies

Sociétés
démutualisées

Ordinary
reinsurance
exempted

Exemption de
la réassurance
ordinaire

Coming into
force

Entrée en
vigueur

Clause 7: Subsection 407(4) reads as follows:

(4) Notwithstanding subsection (1), no person, or entity controlled by a person, shall purchase or otherwise acquire any share of a company that has been converted from a mutual company into a company with common shares, or purchase or acquire control of any entity that holds any share of such a company, if the result thereof would be that the company would not be widely held within the meaning of the regulations.

Clause 8: New. The relevant portion of section 462 reads as follows:

462. The only transfers that may be made from a participating account maintained pursuant to section 456 are

Clause 9: New.

Article 7. — Texte du paragraphe 407(4) :

(4) Malgré le paragraphe (1), il est interdit à une personne — ou à l'entité qu'elle contrôle — d'acquérir des actions d'une société mutuelle qui a été transformée en société avec actions ordinaires ou d'acquérir une entité — ou d'en acquérir le contrôle — qui détient toute action de cette société s'il en résulte que la société ne serait pas largement détenue, au sens des règlements.

Article 8. — Nouveau. Texte du passage introductif de l'article 462 :

462. Seules peuvent être prélevées sur des comptes de participation visés à l'article 456 :

Article 9. — Nouveau.

His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, pursuant to subsections 407(4)¹ and (5)² and paragraph 703(b) of the *Insurance Companies Act*³, hereby makes the annexed *Converted Company Ownership Regulations*.

CONVERTED COMPANY OWNERSHIP REGULATIONS

INTERPRETATION

1. In these Regulations, "Act" means the *Insurance Companies Act*.

MEANING OF "WIDELY HELD"

2. For the purposes of subsection 407(4) of the Act, a life company is widely held at a particular time if at that time

(a) no person has a significant interest in any class of shares of the life company; or

(b) where another company acquired all of the voting shares of the life company as a result of the conversion of the life company into a company with common shares and holds all of the voting shares of the life company at that time, no person has a significant interest in

(i) any class of shares of the other company, or

(ii) any class of non-voting shares of the life company.

EXCEPTION

3. For the purposes of subsection 407(5) of the Act, the companies in respect of which subsection 407(4) of the Act does not apply are life companies

Sur recommandation du ministre des Finances et en vertu des paragraphes 407(4)⁴ et (5)⁵ et de l'alinéa 703b) de la *Loi sur les sociétés d'assurances*⁶, Son Excellence le Gouverneur général en conseil prend le *Règlement sur la propriété des sociétés transformées*, ci-après.

RÈGLEMENT SUR LA PROPRIÉTÉ DES SOCIÉTÉS TRANSFORMÉES

DÉFINITION

1. Dans le présent règlement, « Loi » s'entend de la *Loi sur les sociétés d'assurances*.

SENS DE « LARGEMENT DÉTENUE »

2. Pour l'application du paragraphe 407(4) de la Loi, une société d'assurance-vie est largement détenue à un moment précis dans les cas suivants :

a) aucune personne ne détient un intérêt substantiel dans une catégorie d'actions de la société d'assurance-vie;

b) lorsqu'une autre société a acquis toutes les actions avec droit de vote de la société d'assurance-vie du fait de la transformation de celle-ci en société avec actions ordinaires et détient à ce moment toutes les actions avec droit de vote de celle-ci, aucune personne ne détient un intérêt substantiel dans l'une ou l'autre des catégories d'actions suivantes :

(i) une catégorie d'actions de l'autre société,

(ii) une catégorie d'actions sans droit de vote de la société d'assurance-vie.

EXCEPTION

3. Pour l'application du paragraphe 407(5) de la Loi, sont soustraites à l'application du paragraphe 407(4) de la Loi les sociétés d'assurance-vie dont la

whose total assets in Canada were less than \$7.5 billion on December 31, 1991.

valeur de l'actif total au Canada était inférieure à 7,5 milliards de dollars le 31 décembre 1991.

COMING INTO FORCE

ENTRÉE EN VIGUEUR

4. These Regulations come into force on the day on which they are registered.

4. Le présent règlement entre en vigueur à la date de son enregistrement.

1.S.C. 1998, c. ____, s. ____

2.S.C. 1997, c. 15, s. 24

3.S.C. 1991, c. 47

4.L.C. 1998, ch. ____, art. 7

5.L.C. 1997, ch. 15, art. 24

6.L.C. 1991, ch. 47

His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, pursuant to sections 236.1¹ and 237² and paragraph 703(b) of the *Insurance Companies Act*³, hereby makes the annexed *Mutual Company (Life Insurance) Conversion Regulations*.

MUTUAL COMPANY (LIFE INSURANCE) CONVERSION REGULATIONS

INTERPRETATION

1. The following definitions apply in these Regulations.

"Act" means the *Insurance Companies Act*. (*Loi*)

"conversion" means the conversion of a life company that is a mutual company into a company with common shares. (*transformation*)

"converted company" means a life company that was a mutual company and that has been converted into a company with common shares and, except for the purposes of paragraphs 4(1)(j) and 5(1)(p), includes a holding body corporate of that company. (*société transformée*)

"converting company" means a life company that is a mutual company that is proposing to convert into a company with common shares. (*société en transformation*)

"effective date", in respect of a conversion, means the day stated in the letters patent of conversion as the day on which the conversion becomes effective. (*version anglaise seulement*)

"eligibility day" means the day selected by a converting company under subsection 4(3). (*date d'admissibilité*)

"eligible policyholder" means a person who

(a) on the eligibility day is the holder of a

Sur recommandation du ministre des Finances et en vertu des articles 236.1⁴ et 237⁵ et de l'alinéa 703b) de la *Loi sur les sociétés d'assurances*⁶, Son Excellence le Gouverneur général en conseil prend le *Règlement sur la transformation de sociétés mutuelles (assurance-vie)*, ci-après.

RÈGLEMENT SUR LA TRANSFORMATION DE SOCIÉTÉS MUTUELLES (ASSURANCE-VIE)

DÉFINITIONS

1. Les définitions qui suivent s'appliquent au présent règlement.

« assemblée extraordinaire » Assemblée des souscripteurs visée au paragraphe 237(1.1) de la Loi. (*special meeting*)

« date d'admissibilité » La date choisie par une société en transformation selon le paragraphe 4(3). (*eligibility day*)

« Loi » La *Loi sur les sociétés d'assurances*. (*Act*)

« police avec droit de vote » À l'égard de la société en transformation, police dont la détention habilite le titulaire à voter aux assemblées des souscripteurs de celle-ci, sauf la police émise ou prise en charge par une société avec actions ordinaires ayant fusionné avec une société mutuelle après que cette dernière a annoncé publiquement son intention d'élaborer une proposition de transformation. (*voting policy*)

« société en transformation » Société d'assurance-vie qui est une société mutuelle qui se propose de se transformer en société avec actions ordinaires. (*converting company*)

« société mère » Personne morale constituée en société sous le régime de la Loi qui détient toutes les actions avec droit de vote de la société transformée. (*holding body corporate*)

voting policy;

(b) is the holder of a voting policy issued by a converting company, if the policy was applied for by that person on or before the eligibility day and the application was received by the company within a period specified by the company in the conversion proposal;

(c) is the holder of a voting policy, issued to the holder by a converting company, that lapsed before the company's eligibility day and was reinstated during the period beginning on the eligibility day and ending 90 days before the day on which the company's special meeting is held; or

(d) is named by a converting company in its conversion proposal as an eligible policyholder under subsection 4(4).
(*souscripteur admissible*)

"holding body corporate", in respect of a converted company, means a body corporate incorporated as a company under the Act that holds all of the voting shares of the converted company. (*société mère*)

"special meeting" means a meeting of policyholders referred to in subsection 237(1.1) of the Act.
(*assemblée extraordinaire*)

"value", in respect of a converting company, means the estimated market value or range of market values referred to in subsection 3(1). (*valeur*)

"voting policy", in respect of a converting company, means a policy the holding of which entitles its holder to vote at meetings of policyholders of the converting company, but does not include a policy issued or assumed by a company with common shares that amalgamated with a mutual company after the making of a public announcement by the mutual company of its intention to develop a conversion proposal.
(*police avec droit de vote*)

« société transformée » Société d'assurance-vie qui était une société mutuelle et qui a été transformée en société avec actions ordinaires. Sauf pour l'application des alinéas 4(1)*j*) et 5(1)*p*), est assimilée à la société transformée sa société mère.
(*converted company*)

« souscripteur admissible » Est un souscripteur admissible :

a) le titulaire d'une police avec droit de vote, à la date d'admissibilité;

b) le titulaire d'une police avec droit de vote émise par la société en transformation, si la demande de souscription a été faite par le titulaire à la date d'admissibilité ou avant celle-ci et si elle a été reçue par la société au cours de la période précisée par elle dans sa proposition de transformation;

c) le titulaire d'une police avec droit de vote qui lui est émise par la société en transformation, qui est tombée en déchéance avant la date d'admissibilité de la société et qui est remise en vigueur au cours de la période débutant à la date d'admissibilité et se terminant 90 jours avant la date de la tenue de l'assemblée extraordinaire de la société;

d) la personne nommée par la société en transformation dans sa proposition de transformation à titre de souscripteur admissible conformément au paragraphe 4(4). (*eligible policyholder*)

« transformation » La transformation d'une société d'assurance-vie qui est une société mutuelle en société avec actions ordinaires. (*conversion*)

« valeur » En ce qui concerne la société en transformation, la valeur marchande estimative ou la fourchette de valeurs marchandes estimatives visées au paragraphe 3(1). (*value*)

APPLICATION

2. These Regulations apply in respect of the conversion of a life company that is a mutual company into a company with common shares.

VALUATION

3. (1) For the purposes of these Regulations, a converting company shall state as its value an estimated market value or range of market values, but shall exclude

- (a) the value of capital contributions made to the mutual company at the time of its incorporation as a mutual company;
- (b) amounts recorded in any account maintained under section 70 or 83.04 of the Act; and
- (c) any expenses expected to be incurred by the converting company to effect the conversion.

(2) The Superintendent may specify a day as at which the value of a converting company shall be estimated for the purposes of subsection (1).

CONVERSION PROPOSAL

4. (1) A conversion proposal shall include

- (a) a report setting out the value of the converting company and a description of how that value was estimated, the method used and any assumptions made;
- (b) the eligibility day selected by the converting company and, if that day is a day referred to in paragraph (3)(b), the reasons why that day was selected;
- (c) a description of the form, amount and aggregate value of the benefits to be provided to eligible policyholders in exchange for their rights

APPLICATION

2. Le présent règlement s'applique à la transformation de toute société d'assurance-vie qui est une société mutuelle en société avec actions ordinaires.

ÉVALUATION

3. (1) Pour l'application du présent règlement, la valeur de la société en transformation correspond à une valeur marchande estimative ou à une fourchette de valeurs marchandes estimatives que la société détermine sans tenir compte des facteurs suivants :

- a) la valeur de l'apport de capital à la société mutuelle effectué au moment de sa constitution en société mutuelle;
- b) les sommes portées aux comptes tenus conformément aux articles 70 ou 83.04 de la Loi;
- c) les dépenses qu'elle prévoit engager pour mettre en oeuvre la transformation.

(2) Le surintendant est autorisé à fixer la date à laquelle est faite une estimation de la valeur de la société en transformation pour l'application du paragraphe (1).

PROPOSITION DE TRANSFORMATION

4. (1) La proposition de transformation comprend :

- a) un rapport qui indique la valeur de la société en transformation et qui fait état de la méthode et des hypothèses ayant servi à son estimation;
- b) la date d'admissibilité choisie par la société en transformation et, si cette date correspond à celle visée à l'alinéa (3)b), la raison de ce choix;
- c) une description de la forme, du montant et de la valeur totale des avantages à accorder aux souscripteurs admissibles en contrepartie de leurs droits sur la société en transformation ou dans

with respect to, and interests in, the converting company as a mutual company;

(d) a detailed description of the benefits to be provided to eligible policyholders and the method to be used to apportion the value of the converting company among eligible policyholders, indicating

- (i) the basis on which any variable amount of benefits will be calculated,
- (ii) any fixed, minimum or maximum amount of benefits that may be provided to an eligible policyholder, and
- (iii) the rationale for choosing the method for determining and allocating benefits among eligible policyholders;

(e) a statement confirming that

- (i) benefits in respect of the conversion will be provided only to eligible policyholders,
- (ii) benefits will be provided only in respect of voting policies, and
- (iii) all or most of the benefits will be provided to policyholders who are entitled to participate in profit distributions;

(f) an estimate of any amounts that will be transferred out of the accounts referred to in section 456 of the Act as a result of the conversion, with a description of the method and assumptions that were used in establishing that estimate and that will be used in establishing any amounts that will eventually be transferred as a result of the conversion;

(g) an explanation of how the assets allocated to the accounts referred to in section 456 of the Act after the transfer are expected to be adequate to

- (i) meet contractual obligations under the policies in respect of which those accounts are maintained,

celle-ci en tant que société mutuelle;

d) une description détaillée des avantages à accorder aux souscripteurs admissibles et de la méthode devant servir à répartir la valeur de la société en transformation entre ceux-ci, qui :

- (i) indique le fondement du calcul de tout montant variable des avantages,
- (ii) indique tout montant fixe, minimal ou maximal des avantages à accorder à un souscripteur admissible,
- (iii) explique le choix de la méthode de détermination de ces avantages et de la méthode de leur répartition entre les souscripteurs admissibles;

e) une déclaration confirmant ce qui suit :

- (i) les avantages relatifs à la transformation seront accordés uniquement aux souscripteurs admissibles,
- (ii) les avantages ne viseront que les polices avec droit de vote,
- (iii) la totalité ou la quasi-totalité des avantages sera accordée aux souscripteurs ayant droit de participer aux répartitions des bénéfices;

f) une estimation des montants qui seront transférés des comptes visés à l'article 456 de la Loi au titre de la transformation, ainsi qu'une description de la méthode et des hypothèses qui ont servi à établir l'estimation et qui serviront à établir les montants éventuels le cas échéant, à transférer au titre de la transformation;

g) les raisons pour lesquelles les éléments d'actif affectés aux comptes visés à l'article 456 de la Loi après le transfert devraient suffire aux fins suivantes :

- (i) acquitter les obligations contractuelles des polices à l'égard desquelles ces comptes sont tenus,

<p>(ii) meet the reasonable expectations of the holders of those policies in respect of future dividends and other non-guaranteed policy benefits, and</p> <p>(iii) support any future participating policies expected to be allocated to those accounts;</p>	<p>(ii) répondre aux attentes raisonnables des titulaires de ces polices concernant les dividendes futurs et autres avantages non garantis qui s'y rattachent,</p> <p>(iii) couvrir les futures polices à participation qu'il est prévu d'attribuer à ces comptes;</p>
<p>(h) a statement of the dividend policy that will apply to the policies in respect of which the accounts referred to in section 456 of the Act are maintained, during the five years following the effective date of the conversion;</p>	<p>h) un énoncé de la politique de participation applicable aux polices à l'égard desquelles les comptes visés à l'article 456 de la Loi sont tenus au cours des cinq années suivant la date à laquelle la transformation de la société doit prendre effet;</p>
<p>(i) a description of the mechanisms proposed to effect an initial issuance of common shares and any other class of shares of the converted company, including a copy of the proposed by-law authorizing the issuance of those shares;</p>	<p>i) une description des mécanismes envisagés pour effectuer la première émission d'actions ordinaires ou de toute autre catégorie d'actions de la société transformée, accompagnée d'une copie du projet du règlement administratif qui autorise l'émission;</p>
<p>(j) where shares of the converted company are to be issued to a holding body corporate, a description of the proposed activities of the holding body corporate;</p>	<p>j) dans le cas où des actions de la société transformée doivent être émises en faveur de la société mère, une description des activités proposées de celle-ci;</p>
<p>(k) where the converting company has issued any shares that remain outstanding immediately prior to the effective date of the conversion, a statement describing how those shares will be converted into common shares of the converted company;</p>	<p>k) dans le cas où la société en transformation a émis des actions qui demeurent en circulation immédiatement avant la date à laquelle la transformation doit prendre effet, une description de la manière dont ces actions seront transformées en actions ordinaires de la société transformée;</p>
<p>(l) where the benefits referred to in paragraph (c) include shares of the converted company, a description of the measures to be taken by the company, in the two years following the effective date of the conversion, to ensure that the eligible policyholders who receive the shares will be able to sell those shares on a public market;</p>	<p>l) dans le cas où les avantages visés à l'alinéa c) comprennent des actions de la société transformée, une description des mesures que celle-ci prendra, dans les deux ans suivant la date à laquelle la transformation doit prendre effet, pour que les souscripteurs admissibles qui reçoivent ces actions puissent les vendre sur le marché public;</p>
<p>(m) a description of how the measures referred to in paragraph (l) would be affected if the converted company were to issue additional shares during the two years following the effective date of the conversion; and</p>	<p>m) une description des répercussions qu'aurait sur les mesures visées à l'alinéa l) la décision de la société transformée d'émettre d'autres actions dans les deux ans suivant la date à laquelle la transformation doit prendre effet;</p>
<p>(n) a statement that the directors of the converting company may withdraw the</p>	<p>n) un énoncé portant que le conseil d'administration de la société en transformation</p>

conversion proposal at any time before the issue of letters patent of conversion.

(2) The variable amount of benefits referred to in subparagraph (1)(d)(i) may be calculated based on any factor or combination of factors, including a policy's contribution to surplus, policy reserves, cash values, amounts of policy coverage and the duration of the policy.

(3) A converting company shall select as its eligibility day

(a) the day of the public announcement by the converting company of its intention to develop a conversion proposal; or

(b) a day subsequent to, but not later than 30 days after, the day referred to in paragraph (a).

(4) Where a converting company selects an eligibility day referred to in paragraph (3)(b), the converting company shall name in its conversion proposal as eligible policyholders all persons whose policies were involuntarily terminated on or after the day referred to in paragraph (3)(a) and who would have been eligible policyholders if the eligibility day were the day referred to in paragraph (3)(a).

MATERIAL TO SUPERINTENDENT

5. (1) Subject to section 11, prior to sending a notice of a special meeting, a converting company shall submit to the Superintendent

(a) an opinion prepared by the actuary of the company and an opinion prepared by an independent actuary,

(i) stating that the benefits and method, referred to in paragraph 4(1)(d), to be used to apportion the value of the company among eligible policyholders are fair and equitable to those policyholders,

(ii) providing an explanation of how the assets referred to in paragraph 4(1)(g) are expected

peut retirer la proposition de transformation avant l'émission des lettres patentes de transformation.

(2) Le montant variable des avantages visé au sous-alinéa (1)d(i) peut être calculé selon tout facteur, ou combinaison de facteurs applicables, y compris la contribution d'une police à l'excédent, les provisions techniques, les valeurs de rachat, les montants de protection ou la durée de la police.

(3) La société en transformation choisit comme date d'admissibilité :

a) la date de l'annonce publique de son intention d'élaborer une proposition de transformation;

b) une date qui suit d'au plus 30 jours celle visée à l'alinéa a).

(4) Lorsque la date d'admissibilité choisie par la société en transformation est celle visée à l'alinéa (3)b), la société nomme dans sa proposition de transformation à titre de souscripteur admissible toute personne dont la police prend fin de façon non volontaire à la date visée à l'alinéa (3)a) ou après cette date et qui aurait été un souscripteur admissible si la date d'admissibilité était cette dernière.

DOCUMENTS À FOURNIR AU SURINTENDANT

5. (1) Sous réserve de l'article 11, avant d'envoyer l'avis d'assemblée extraordinaire, la société en transformation doit remettre au surintendant les documents suivants :

a) l'avis de l'actuaire de la société et l'avis d'un actuaire indépendant indiquant :

(i) que les avantages et la méthode devant servir à répartir la valeur de la société entre les souscripteurs admissibles, visés à l'alinéa 4(1)d), sont justes et équitables pour ces souscripteurs,

(ii) pourquoi les éléments d'actif visés à l'alinéa 4(1)g) devraient suffire aux fins

to be adequate to

(A) meet contractual obligations under the policies in respect of which the accounts referred to in section 456 of the Act are maintained,

(B) meet the reasonable expectations of the holders of those policies in respect of future dividends and other non-guaranteed policy benefits, and

(C) support any future participating policies expected to be allocated to those accounts, and

(iii) stating that the future financial strength and vitality of the company and the security of policyholders will not be materially adversely affected by the conversion;

(b) an opinion from a valuation expert that the method and assumptions referred to in paragraph 4(1)(a) employed to estimate the value of the company are appropriate and that that value reasonably reflects prevailing market conditions as at the day it was estimated;

(c) where, in respect of a conversion, other benefits are to be provided in lieu of shares, an opinion from an independent actuary, or from a valuation expert, that those benefits are appropriate substitutes for the shares as at the day the value of the company was estimated;

(d) an opinion from a financial market expert that the measures referred to in paragraph 4(1)(f) are likely to ensure that the eligible policyholders who receive shares will be able to sell those shares, within the two years following the effective date of the conversion, on a public market;

(e) the annual statement for the most recently completed financial year of the converting company, accompanied by reports for that year of the auditor and actuary of the company;

suivantes :

(A) acquitter les obligations contractuelles des polices à l'égard desquelles les comptes visés à l'article 456 de la Loi sont tenus,

(B) répondre aux attentes raisonnables des titulaires de ces polices concernant les futurs dividendes et autres avantages non garantis qui s'y rattachent,

(C) couvrir les futures polices à participation qu'il est prévu d'attribuer à ces comptes,

(iii) que la vigueur et la santé financière futures de la société ainsi que la sécurité des souscripteurs ne seront pas compromises de façon importante par la transformation;

b) l'avis d'un évaluateur expert indiquant que la méthode et les hypothèses visées à l'alinéa 4(1)a) ayant servi à l'estimation de la valeur de la société sont appropriées et que la valeur tient raisonnablement compte des conditions du marché à la date de son estimation;

c) dans le cas où, à l'égard d'une transformation, des avantages seront accordés en remplacement d'actions, l'avis d'un actuaire indépendant ou d'un évaluateur expert indiquant que ces avantages sont des substituts appropriés des actions à la date à laquelle la valeur de la société a été estimée;

d) l'avis d'un expert des marchés financiers indiquant que les mesures énoncées à l'alinéa 4(1)f) sont susceptibles de permettre aux souscripteurs admissibles qui recevront des actions de les vendre sur le marché public dans les deux ans suivant la date à laquelle la transformation doit prendre effet;

e) le rapport annuel pour le dernier exercice complet de la société en transformation, accompagné des rapports du vérificateur et de l'actuaire de la société pour cet exercice;

f) lorsqu'un avis d'assemblée extraordinaire doit être envoyé aux souscripteurs admissibles plus de

(f) where a notice of a special meeting is to be sent to eligible policyholders more than 120 days after the end of the most recently completed financial year of the converting company, financial statements for the portion of the current financial year ending prior to a day that is not more than 120 days before the day on which the notice is sent, and an auditor's comfort letter in respect thereof;

(g) *pro forma* financial statements of the converted company, showing the effect of the conversion and any other significant transactions contemplated in connection with the conversion, including any proposed initial public offering of common shares, based on

(i) the annual statement for the most recently completed financial year, or

(ii) in the circumstances referred to in paragraph (f), the financial statements for the portion of the current financial year referred to in that paragraph;

(h) the compilation report of the auditor of the company, and a statement of reconciliation, in respect of the financial statements referred to in paragraph (g);

(i) a detailed description of any significant transaction referred to in paragraph (g);

(j) the conversion proposal referred to in subsection 4(1);

(k) the summaries referred to in paragraph 7(1)(g);

(l) the notice of the special meeting and the form of proxy and any management proxy circular to be sent with the notice;

(m) any prospectus referred to in paragraph 7(1)(q);

(n) the proposed letters patent of conversion;

120 jours après la fin du dernier exercice complet de la société en transformation, les états financiers pour la partie de l'exercice en cours qui se termine à une date antérieure d'au plus 120 jours à la date d'envoi de l'avis, et une lettre d'accord présumé d'un vérificateur à cet égard;

g) les états financiers *pro forma* de la société transformée indiquant l'effet de la transformation et les autres opérations importantes envisagées à l'égard de la transformation, y compris toute émission publique initiale projetée d'actions ordinaires, fondés sur :

(i) soit le rapport annuel pour le dernier exercice complet,

(ii) soit dans les circonstances visées à l'alinéa f), les états financiers pour la partie de l'exercice en cours visé à cet alinéa;

h) le rapport de compilation du vérificateur de la société et l'état de rapprochement relatifs aux états financiers visés à l'alinéa g);

i) une description détaillée des opérations importantes visées à l'alinéa g);

j) la proposition de transformation visée au paragraphe 4(1);

k) les résumés visés à l'alinéa 7(1)(g);

l) l'avis d'assemblée extraordinaire, ainsi que le formulaire de procuration et la circulaire de sollicitation des procurations émanant de la direction qui doivent l'accompagner;

m) le prospectus visé à l'alinéa 7(1)(q);

n) le projet de lettres patentes de transformation;

o) les résolutions proposées visées au paragraphe 237(1.5) de la Loi;

p) lorsque des actions de la société transformée doivent être émises à sa société mère, une copie de l'acte constitutif actuel ou projeté de cette dernière

(o) the proposed resolutions referred to in subsection 237(1.5) of the Act; and

ainsi que de ses règlements administratifs actuels ou projetés.

(p) where shares of the converted company are to be issued to a holding body corporate, a copy of the existing or proposed incorporating instrument and by-laws of the body corporate.

(2) The financial statements referred to in paragraphs (1)(f) and (g)

(2) Les états financiers visés aux alinéas (1)f) et g) doivent être conformes aux exigences suivantes :

(a) shall be prepared in accordance with the accounting principles referred to in subsection 331(4) of the Act; and

a) ils sont établis conformément aux principes comptables visés au paragraphe 331(4) de la Loi;

(b) shall be accompanied by a report of the chief financial officer of the company stating that the financial statements have not been audited but have been prepared in accordance with the accounting principles referred to in subsection 331(4) of the Act.

b) ils sont accompagnés d'un rapport du directeur financier de la société indiquant qu'ils n'ont pas été vérifiés mais qu'ils ont été établis conformément aux principes comptables visés au paragraphe 331(4) de la Loi.

AUTHORIZATION OF SUPERINTENDENT

AUTORISATION DU SURINTENDANT

6. (1) Prior to sending a notice of a special meeting, a converting company shall obtain from the Superintendent an authorization to send the notice.

6. (1) Avant d'envoyer l'avis d'assemblée extraordinaire, la société en transformation doit obtenir l'autorisation préalable du surintendant.

(2) In considering whether to grant an authorization under subsection (1), the Superintendent may consider any other information, including an opinion or report on any aspect of the conversion proposal.

(2) Pour décider s'il convient d'accorder l'autorisation visée au paragraphe (1), le surintendant peut examiner tout autre renseignement, y compris tout avis ou rapport sur tout aspect de la proposition de transformation.

(3) As a condition of granting an authorization under subsection (1), the Superintendent may require that the notice of the special meeting or the management proxy circular contain such additional information as the Superintendent considers appropriate.

(3) Lorsqu'il accorde l'autorisation visée au paragraphe (1), le surintendant peut exiger que l'avis d'assemblée extraordinaire ou la circulaire de sollicitation des procurations émanant de la direction renferment les renseignements supplémentaires qu'il juge indiqués.

INFORMATION TO POLICYHOLDERS

RENSEIGNEMENTS À FOURNIR AUX SOUSCRIPTEURS

7. (1) A notice of a special meeting shall describe the conversion proposal in sufficient detail to permit a policyholder to form a reasoned judgment about the terms of the proposal and its impact on both policyholders and the converting

7. (1) L'avis d'assemblée extraordinaire doit renfermer suffisamment de détails sur la proposition de transformation pour que le souscripteur admissible puisse porter un jugement éclairé sur les modalités de la proposition et sur ses répercussions sur les

company and, subject to subsection (2) and section 11, shall include

- (a) a description of the advantages and disadvantages of the proposed conversion to the company and to the policyholders of the company;
- (b) a description of the alternatives to the conversion of the company that the directors of the converting company have considered, and the reasons why, in their opinion, the conversion is in the best interests of the company and its policyholders as a whole;
- (c) a description of the form, amount and estimated market value or range of market values of the benefits to be provided as a result of the conversion to the eligible policyholder to whom the notice is sent in exchange for the policyholder's rights with respect to, and interests in, the converting company as a mutual company;
- (d) a description of any right of policyholders to vote after the conversion, as policyholders or shareholders of the converted company;
- (e) for each jurisdiction in which at least one per cent of all eligible policyholders reside, a description of the income tax treatment accorded the benefits referred to in paragraph (c) in that jurisdiction;
- (f) the conversion proposal referred to in subsection 4(1);
- (g) summaries of
 - (i) the opinions referred to in paragraphs 5(1)(a) to (d), and
 - (ii) the documents referred to in paragraph 5(1)(p);
- (h) the financial statements referred to in paragraphs 5(1)(e) to (g);

souscripteurs et la société en transformation et, sous réserve du paragraphe (2) et de l'article 11, comprend les renseignements suivants :

- a) une description des avantages et des inconvénients que la transformation proposée présente pour la société et ses souscripteurs;
- b) une description des solutions de rechange à la transformation de la société envisagées par les administrateurs de la société en transformation et les motifs pour lesquels, à leur avis, cette transformation est au mieux des intérêts de la société et de l'ensemble de ses souscripteurs;
- c) une description de la forme, du montant et de la valeur marchande estimative ou de la fourchette des valeurs marchandes estimatives des avantages à accorder par suite de la transformation au souscripteur admissible auquel l'avis est envoyé en contrepartie de ses droits sur la société en transformation ou dans celle-ci, en tant que société mutuelle;
- d) une description du droit de vote des souscripteurs après la transformation, s'il y a lieu, à titre de souscripteurs ou d'actionnaires de la société transformée;
- e) une description du traitement fiscal des avantages visés à l'alinéa c) accordé par chaque territoire dans lequel réside au moins un pour cent des souscripteurs admissibles;
- f) la proposition de transformation visée au paragraphe 4(1);
- g) un résumé des documents suivants :
 - (i) les avis visés aux alinéas 5(1)a) à d),
 - (ii) les documents visés à l'alinéa 5(1)p);
- h) les états financiers visés aux alinéas 5(1)e) à g);
- i) les documents visés aux alinéas 5(1)h) et i);
- j) une brève description des activités de la société

(i) the documents referred to in paragraphs 5(1)(h) and (i);

(j) a brief description of the business carried on by the converting company and its subsidiaries, and the general development of that business, during the three years preceding a day that is not more than 120 days before the day on which the notice of the meeting is sent to policyholders, and any future business foreseen as of that day;

(k) a brief description of any substantial variations in the operating results of the converting company during the three most recently completed financial years preceding the notice of the meeting and, where the notice of the meeting is sent more than 120 days after the end of the most recently completed financial year of the converting company, during the portion of the current financial year ending on a day that is not more than 120 days before the day on which the notice is sent;

(l) the identity of all persons who, on the day on which the notice of the meeting is sent, have a significant interest in the converting company or who, as a result of the conversion, will have a significant interest in the converted company, and a description of the type and number of shares held or to be held by those persons;

(m) the name and address of the auditor of the converted company;

(n) the names and addresses of the proposed transfer agents and registrars;

(o) the proposed location for the securities registers for the initial issuance of common shares of the converted company;

(p) a description of any sales by the converting company, within the 12 months preceding a day that is not more than 120 days before the day on which the notice of the meeting is sent to the policyholders, of securities of the same type as those to be provided as benefits to eligible policyholders under the conversion proposal;

en transformation et de ses filiales, et de l'évolution générale de ces activités au cours des trois années précédant une date antérieure d'au plus 120 jours à la date de l'envoi de l'avis d'assemblée aux souscripteurs, ainsi que des activités futures prévues à cette date;

k) une brève description des fluctuations importantes des résultats d'exploitation de la société en transformation au cours des trois derniers exercices complets ayant précédé l'avis d'assemblée et, dans le cas où l'avis d'assemblée est envoyé aux souscripteurs plus de 120 jours après la fin du dernier exercice complet de la société en transformation, de la partie de l'exercice en cours qui s'arrête à une date antérieure d'au plus 120 jours à la date d'envoi de l'avis;

l) l'identité des personnes qui détiennent un intérêt substantiel dans la société en transformation à la date d'envoi de l'avis d'assemblée et de celles qui détiendront un intérêt substantiel dans la société transformée par suite de la transformation, ainsi qu'une description du type et du nombre d'actions que ces personnes détiennent ou détiendront;

m) le nom et l'adresse du vérificateur de la société transformée;

n) le nom et l'adresse des agents des transferts et agents comptables des registres proposés;

o) l'emplacement prévu des registres des valeurs mobilières relatifs à la première émission d'actions ordinaires de la société transformée;

p) une description de toute vente, effectuée par la société en transformation au cours des 12 mois précédant une date antérieure d'au plus 120 jours à la date d'envoi de l'avis d'assemblée aux souscripteurs, de valeurs mobilières du même type que celles qui seront accordées aux souscripteurs admissibles à titre d'avantages aux termes de la proposition de transformation;

q) dans le cas où les lois du territoire où la société transformée exerce des activités exigent de celle-ci le dépôt d'un prospectus à l'égard de son émission

(q) where the converted company is required under the laws of any jurisdiction in which it carries on business to file a prospectus in respect of its issuance of shares to eligible policyholders, a copy of that prospectus;

(r) a description of the restrictions set out in sections 12 and 13 and of any plans that the converting company may have for the establishment of stock-option or stock-incentive plans for directors, officers or employees of the converted company after the period referred to in section 13;

(s) a description of any measures, including the establishment of toll-free lines and internet sites, the holding of information sessions, and the placement of advertisements in widely circulated publications, that the converting company has taken or will take before holding a special meeting, to provide eligible policyholders with information about the proposed conversion and an opportunity to raise questions or concerns about the proposed conversion;

(t) a description of the measures that the converting company has taken or will take to encourage eligible policyholders to vote on the conversion proposal, in person or by proxy, at the special meeting; and

(u) any other information that the Superintendent has required the notice of a special meeting to contain under subsection 6(3).

(2) The information described in subsection (1) may be included in the notice of a special meeting or in the management proxy circular sent with it.

(3) The Superintendent may, to assist eligible policyholders in forming a reasoned judgment on a conversion proposal of a converting company,

(a) direct the company to hold one or more information sessions for eligible policyholders prior to the holding of a special meeting and set

d'actions aux souscripteurs admissibles, une copie de ce prospectus;

r) une description des restrictions visées aux articles 12 et 13 et de tout projet de la société en transformation visant la création de régimes d'option de souscription à des actions ou de régimes d'intéressement propres aux actions, à l'intention des administrateurs, dirigeants ou employés de la société transformée, selon le cas, après la période visée à l'article 13;

s) une description des mesures, y compris l'établissement de lignes téléphoniques sans frais et de sites Internet, la tenue de séances d'information et le placement d'annonces publicitaires dans des publications à grand tirage, que la société en transformation a prises ou prendra avant de tenir une assemblée extraordinaire, afin de fournir aux souscripteurs admissibles des renseignements au sujet du projet de transformation et de leur donner l'occasion de poser des questions ou d'exprimer leurs préoccupations au sujet du projet de transformation;

t) une description des mesures que la société en transformation a prises ou entend prendre pour inciter les souscripteurs admissibles à participer au vote sur la proposition de transformation, en personne ou par procuration, lors de l'assemblée extraordinaire;

u) les renseignements supplémentaires exigés par le surintendant dans l'avis d'assemblée extraordinaire aux termes du paragraphe 6(3).

(2) Les renseignements prévus au paragraphe (1) peuvent figurer dans l'avis d'assemblée extraordinaire ou dans la circulaire de sollicitation des procurations émanant de la direction qui accompagne cet avis.

(3) Avant la tenue de l'assemblée extraordinaire, pour aider les souscripteurs admissibles à porter un jugement éclairé sur la proposition de transformation, le surintendant peut :

a) soit ordonner à la société en transformation de tenir une ou plusieurs séances d'information à

the rules under which those sessions must be held; and

(b) direct the company to take such other measures, prior to the holding of a special meeting, as the Superintendent considers appropriate.

MINISTERIAL APPROVAL

8. Within three months after the approval of a conversion proposal by the eligible policyholders, the directors of a converting company shall, unless the conversion proposal is withdrawn, apply to the Minister for

(a) approval of the conversion proposal pursuant to paragraph 237(1)(a) of the Act; and

(b) issuance of letters patent of conversion pursuant to paragraph 237(1)(b) of the Act.

9. (1) An application made by a converting company to the Minister pursuant to subsection 237(1) of the Act shall include

(a) the conversion proposal referred to in subsection 4(1);

(b) the documents referred to in paragraphs 5(1)(a) to (i), (k), (m) and (p);

(c) the notice of the special meeting at which the conversion proposal was considered and the documentation sent with that notice;

(d) the proposed letters patent of conversion and any by-laws, amendments to by-laws or repeals of by-laws, that are necessary to implement the conversion proposal; and

(e) the special resolutions of the eligible policyholders referred to in subsection 237(1.5) of the Act, accompanied by a certificate of the company indicating the results of the votes held in respect of those resolutions.

l'intention des souscripteurs admissibles et fixer les modalités de la tenue de ces séances;

b) soit ordonner à la société de prendre d'autres mesures qu'il juge indiquées.

APPROBATION DU MINISTRE

8. Dans les trois mois qui suivent l'approbation de la proposition de transformation par les souscripteurs admissibles, le conseil d'administration de la société en transformation, s'il n'a pas retiré la proposition de transformation, doit demander au ministre :

a) d'approuver la proposition de transformation conformément à l'alinéa 237(1)a) de la Loi;

b) de délivrer les lettres patentes de transformation conformément à l'alinéa 237(1)b) de la Loi.

9. (1) La demande faite par la société en transformation au ministre conformément au paragraphe 237(1) de la Loi comprend les documents suivants :

a) la proposition de transformation visée au paragraphe 4(1);

b) les documents visés aux alinéas 5(1)a) à i), k), m) et p);

c) l'avis de l'assemblée extraordinaire au cours de laquelle la proposition de transformation a été examinée et les documents qui ont accompagné cet avis;

d) le projet de lettres patentes de transformation et les règlements administratifs — y compris toute modification et révocation — nécessaires à la mise en oeuvre de la proposition de transformation;

e) les résolutions extraordinaires des souscripteurs admissibles visées au paragraphe 237(1.5) de la Loi, accompagnées d'un certificat de la société indiquant le résultat du vote sur ces résolutions.

(2) On receipt of an application referred to in subsection (1), the Minister shall refer it to the Superintendent for a recommendation, whereupon the Superintendent may request any additional information that the Superintendent considers necessary to evaluate the application.

(2) Sur réception de la demande visée au paragraphe (1), le ministre la transmet au surintendant pour recommandation; ce dernier peut exiger les renseignements supplémentaires qu'il estime nécessaires à l'évaluation de la demande.

AMENDMENT OR WITHDRAWAL OF CONVERSION PROPOSAL

MODIFICATION OU RETRAIT DE LA PROPOSITION DE TRANSFORMATION

10. (1) The directors of a converting company may amend a conversion proposal of the company at any time before the vote of eligible policyholders is held at the special meeting, if measures approved by the Superintendent are taken by the converting company in respect of the amendment.

10. (1) Le conseil d'administration de la société en transformation peut modifier une proposition de transformation de la société avant le vote des souscripteurs admissibles à l'assemblée extraordinaire, pourvu que des mesures approuvées par le surintendant soient prises par la société à l'égard de la modification.

(2) The directors of a converting company may withdraw a conversion proposal of the company at any time before the issuance of letters patent of conversion.

(2) Le conseil d'administration de la société en transformation peut retirer la proposition de transformation avant l'émission des lettres patentes de transformation.

EXEMPTION BY SUPERINTENDENT

EXEMPTION PAR LE SURINTENDANT

11. The Superintendent may exempt a converting company from any of the requirements of paragraphs 5(1)(c) to (h) and 7(1)(e), (k) and (q), on such terms and conditions as the Superintendent considers appropriate.

11. Le surintendant peut, aux conditions qu'il estime indiquées, exempter une société en transformation de toute exigence prévue à l'un des alinéas 5(1)c) à h) et 7(1)e), k) et q).

RESTRICTIONS ON BENEFITS

RESTRICTION DES AVANTAGES

12. (1) Subject to subsection (2), a converting company shall not provide any director, officer or employee of the company with a fee, compensation or any other consideration in relation to the conversion of the company, other than

12. (1) Sous réserve du paragraphe (2), la société en transformation ne verse aucun honoraire, aucune rémunération ni aucune contrepartie à ses administrateurs, dirigeants ou employés à l'égard de sa transformation, à l'exception de ce qui suit :

(a) the regular compensation provided to the person in that person's capacity as a director, officer or employee of the company; and

a) les traitements versés normalement aux intéressés en leur qualité d'administrateur, de dirigeant ou d'employé de la société;

(b) any benefits provided to the person as an eligible policyholder.

b) les avantages accordés aux intéressés en leur qualité de souscripteur admissible.

(2) A converting company may provide fees, compensation or any other consideration to an entity

(2) La société en transformation peut toutefois verser des honoraires, une rémunération ou toute

with which a director, officer or employee of the company is associated pursuant to a contract for services in respect of the conversion that was entered into by the company with the entity on terms and conditions that are at least as favourable to the company as market terms and conditions, as defined in subsection 534(2) of the Act.

13. A converted company shall not, prior to the listing of its shares on a recognized stock exchange in Canada and for a period of one year after such a listing, issue or provide shares, share options or rights to acquire shares of the converted company to

(a) any director, officer or employee of the company, or

(b) any person who was a director, officer or employee of the company during the year preceding the effective date of conversion of the company and who ceased to be a director, officer or employee of the company,

other than shares issued to that person as an eligible policyholder.

REPEAL

14. The *Mutual Company Conversion Regulations*⁷ are repealed.

COMING INTO FORCE

15. These Regulations come into force on the day on which they are registered.

1.S.C. 1998, c. ____, s. ____

2.S.C. 1998, c. ____, s. ____

3. S.C. 1991, c. 47

4.L.C. 1998, ch. ____, art. 4

5.L.C. 1998, ch. ____, par. 5(1)

6.L.C. 1991, ch. 47

autre forme de contrepartie à une entité avec laquelle un administrateur, un dirigeant ou un employé de la société est lié dans le cadre d'un marché de services à l'égard de la transformation conclu par la société avec l'entité selon des modalités qui sont au moins aussi favorables à la société que les conditions du marché au sens du paragraphe 534(2) de la Loi.

13. La société transformée n'émet ni n'accorde, avant que ses actions n'aient été cotées pour une période d'un an dans une bourse des valeurs reconnue au Canada, aucune action, aucune option de souscription à des actions ni aucun droit d'acquérir des actions de la société transformée, aux personnes suivantes — sauf les actions qui leur sont émises à titre de souscripteur admissible :

a) un administrateur, dirigeant ou employé de la société;

b) toute personne qui était administrateur, dirigeant ou employé de la société au cours de l'année précédant la date à laquelle la transformation de la société doit prendre effet et qui a cessé de l'être.

ABROGATION

14. Le *Règlement sur la transformation de sociétés mutuelles*⁸ est abrogé.

ENTRÉE EN VIGUEUR

15. Le présent règlement entre en vigueur à la date de son enregistrement.

7.SOR/93-205

8.DORS/93-205

Proposed Mutual Company (Life Insurance) Conversion Regulations

Explanatory Notes

Section 1 - Definitions

This section defines a number of terms used in the regulations.

The eligibility day is the date the company publicly announces its plans to develop a conversion proposal or a date chosen by the company that follows by no more than 30 days the date of announcement.

Eligible policyholders are those policyholders that would receive benefits upon demutualization and that would be called upon to approve it. They are the holders of voting policies on the eligibility day. The holders of voting policies that were applied for before the eligibility day and issued after that day and the holders of voting policies that lapsed before the eligibility day but are reinstated on or before 90 days prior to the special meeting called to approve the demutualization proposal are also eligible policyholders.

The value of the company is the estimated market value or range of market values of the company.

A voting policy is one that entitles its holder to vote at meetings of policyholders of the company.

The other definitions contained in the attached regulations are self-explanatory.

Section 2 – Application of the regulations

This section states that the regulations apply to mutual companies that are life insurance companies.

Sections 3 – Valuation of converting company

This section requires a company proposing to demutualize (a converting company) to establish an estimated market value or range of market values that will be used as the value of the company. The Superintendent of Financial Institutions may specify a day for this calculation.

Sections 4 – Content of conversion proposal

This section describes the information that a conversion proposal must contain.

The conversion proposal must indicate the value of the company, how it was estimated and how this value will be allocated to eligible policyholders in the form of benefits (for example, shares, cash or policy enhancements). An opinion of a valuation expert must support this value.

The conversion proposal must state the eligibility day that determines who are the eligible policyholders.

The benefits to be provided to eligible policyholders must be described, together with the manner those benefits will be allocated among them. Although a small portion of the value of the company may be allocated to eligible policyholders who hold voting policies that are not participating policies (i.e., a participating policy is one that entitles its holder to receive policy dividends), most of the value of the company must be allocated to those who hold participating policies. The company may choose any reasonable basis to allocate benefits among eligible policyholders, including a policy's contribution to surplus, policy reserves, cash values, amount of coverage and duration of the policy.

The actuary of the company and an independent actuary must provide an opinion that the allocation among eligible policyholders is fair and equitable. Where benefits other than shares are allocated to eligible policyholders, an independent actuary or a valuation expert must provide an opinion that those benefits are appropriate substitutes for shares.

The conversion proposal must indicate the estimated amount of excess assets, if any, that will be transferred out of participating accounts upon demutualization, for the purpose of increasing the value of the benefits allocated to eligible policyholders. If any assets are to be transferred, the conversion proposal must explain why the assets remaining in these accounts are expected to be adequate to support the participating policies for which these accounts are maintained. The actuary of the company and an independent actuary must also provide their own opinion on this matter. The conversion proposal must describe the company dividend policy that will apply in respect of policies covered by those accounts for the next five years. Finally, the actuary of the company and an independent actuary must provide an opinion on the future financial strength and vitality of the company after demutualization, confirming that the security of policyholders will not be materially adversely affected by the conversion.

The conversion proposal must also contain information in respect of the shares to be issued upon demutualization and the structure of the company after conversion.

The company must indicate the measures it intends to take to ensure that policyholders receiving shares will have access to a public market to sell those shares within two years of conversion. The company will be required to provide an opinion from a financial market expert on the effectiveness of these measures.

Finally, the conversion proposal must indicate that the directors of a company may abandon a conversion proposal before the issuance of letters patent of conversion if circumstances warrant.

Section 5 – Documents filed with the Superintendent for review

Section 5 lists the documents that a converting company must send for review to the Superintendent, before sending to eligible policyholders the notice for the special meeting at which they will consider the demutualization proposal.

These documents include the conversion proposal, the expert opinions mentioned above, financial information and all the information that the company proposes to send to eligible policyholders with the notice of special meeting.

A company must also provide to the Superintendent a detailed description of any material transaction contemplated in connection with the conversion, any prospectus that may be required for the issuance of shares to eligible policyholders, the notice of meeting, the form of proxy to be used and the management proxy circular, the proposed letters patent of conversion and the proposed resolutions that will be presented to eligible policyholders at the special meeting.

Sections 6 and 7 – Authorization by the Superintendent and information to policyholders

Section 6 provides that a converting company must obtain an authorization from the Superintendent before sending a notice of a special meeting to eligible policyholders. In considering whether to grant an authorization, the Superintendent may consider any other information, including the advice of retained experts.

To permit policyholders to form a reasoned judgment about the terms of the proposal and its impact on the company and its policyholders, section 7 requires that the following information be provided by the company to eligible policyholders with the notice of meeting:

- The reasons for demutualization, the alternatives considered by the directors of the company, and why, in their opinion, demutualization is in the best interests of the company and its policyholders;
- The advantages and disadvantages of demutualization to the company and its policyholders;
- A description of the regulatory restrictions applicable in respect of shares and share options for directors, officers and employees of the company (see sections 12 and 13) and the intention, if any, of the company to establish share incentive plans for management after the period of time during which these restrictions apply;
- The benefits the recipient of the notice will receive in exchange for his or her rights and interest in the company as a mutual company;
- The tax treatment that will apply to the benefits to be allocated;
- What will be the voting rights of policyholders after demutualization, as policyholders and as shareholders;

- The conversion proposal with a summary of the expert opinions, the financial information and a detailed description of the significant transactions contemplated in connection with the conversion, including any proposed initial public offering of shares ;
- A description of the business activities of the company and of its financial results for the preceding three years, and of a description of the converted company expected future operations;
- A copy of any prospectus that the company may be required to file in respect of the issuance of shares to eligible policyholders;
- Information about the auditor, transfer agents and registrars of the converted company, and the location of the security registers for the initial issuance of shares;
- In the case of small mutual life insurance companies, the identity of any person that has, or will have after the conversion, a significant interest in the company (more than 10% of any class of its shares);
- A description of the measures the company will take to address policyholder questions and concerns before the special meeting of eligible policyholders called for considering demutualization. These measures may include the establishment of toll-free lines, Internet sites and the holding of one or more information sessions; and
- A description of the measures the company will take to encourage policyholders to vote on the conversion proposal.

In addition, the Superintendent will have the power to require the company to provide to eligible policyholders such additional information as the Superintendent considers appropriate.

Finally, the Superintendent will have the power to direct a company to hold information sessions or take other measures to answer questions and address concerns of eligible policyholders before the meeting called to consider demutualization.

Sections 8 and 9 – Ministerial approval

Section 8 provides that after approval of the conversion proposal by eligible policyholders – by at least two-thirds of the votes cast in person or by proxy – the company must apply to the Minister of Finance for approval of the conversion and the issuance of letters patent of conversion stating the date the conversion becomes effective.

Section 9 describes the information that must be included in an application for Ministerial approval of the conversion.

Sections 10 and 11 – Amendments, withdrawal and exemptions by the Superintendent

Section 10 provides that amendments may be made to the proposal upon terms acceptable to the Superintendent before the conversion proposal is approved by eligible policyholders and that the directors of the company may abandon the proposal at any time before the issuance of letters patent of conversion.

Section 11 authorizes the Superintendent to exempt a converting company from certain requirements of the regulations if particular circumstances justify doing so. The Superintendent may attach terms and conditions when granting an exemption.

Sections 12 and 13 – Restrictions on benefits to directors, officers and employees

Section 12 prohibits a converting company from providing any benefits to its directors, officers, and employees in respect of the conversion of the company, beyond their regular compensation as directors, officers, or employees, and benefits allocated to them as eligible policyholders.

Section 13 prohibits a company from issuing any shares to its directors, officers and employees, except as eligible policyholders, and from granting these individuals any share options, before shares of the converted company have traded on a recognized stock exchange in Canada for at least a year.

Sections 14 and 15 – Repeal and coming into force

Section 14 repeals the current conversion regulations applicable to small mutual life insurance companies and section 15 states when these new regulations, applicable to both small and large converting mutual life companies, come into effect.

Proposed Converted Company Ownership Regulations Explanatory Notes

Section 1

This section refers to the *Insurance Companies Act*.

Section 2

The *Insurance Companies Act* requires that a large converted company be widely held. This section defines what is meant by "widely held." A converted company is widely held if no person has a significant interest in the shares of the converted company or, where all the voting shares of the converted company are held by a holding company incorporated under the *Insurance Companies Act*, in any class of shares of the holding company and in any class of non-voting shares of the converted company.

Section 3

This section restricts the application of the "widely held" requirement to a company that had assets in Canada of at least \$7.5 billion on December 31, 1991.

Section 4

This section states when these regulations come into effect.